

WORKERS COMPENSATION BOARD OF INDIANA

**2013 SECOND INJURY FUND
CALCULATION OF FUNDING LEVEL**

December 31, 2012

Please note the assessment can be paid in two installments.

The due dates are:

January 31, 2013

June 14, 2013



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

Linda Peterson Hamilton, Chairman

WORKERS COMPENSATION BOARD

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SECOND INJURY FUND REPORT

by the Chair

AND ASSESSMENT FOR 2013

January 4, 2013

Happy New Year from the Board!

The Second Injury Fund will meet its obligations in 2012, leaving a healthy base toward the 2013 assessment. Included in this report are the numbers provided by the ICRB and self-insured factors taken from renewal applications for 2011 along with historical data of payouts.

The cost of indemnity in 2012 was approximately \$700 less than estimated. The cost of prosthetics was \$410,000 higher than projected. In fact, the cost of prosthetics in 2012 was double that of 2011 although the same number of prosthetic replacements occurred in both years; 67. This doubling also occurred in 2006 to 2007; however, we provided 7 more prosthetics in 2007 than in 2006.

We are seeing a change in the cyclical cost of artificial limbs, which historically jumped up once every three years, as that is the average lifespan of many prosthetics. As they have become more complicated and functional, prosthetic devices have also become more expensive. In some cases, the artificial member to be replaced is no longer available in the same form and the next level prosthesis must be used. However, while it is sometimes difficult to deny a permanently injured worker the most advanced artificial limb available, the Fund still provides only the Chevy version; not the Cadillac and replacement most closely resembles the original item.

Because of the trend we had been seeing in the cost of prosthetics, we used the average of the previous four years' replacement figures in calculating the 2012 assessment. As a precaution, we are estimating the cost of prosthetics in 2013 to equal the actual cost in 2012, but we are leaving the three month prudent reserve figure for prosthetics the same as 2012.

As with the 2012 assessment, there is a 4% increase in the cost of indemnity built into the 2013 assessment. This was also the actual cost increase seen in 2012.

The fourth of five loan installments and the administrative costs are the same as in previous years. SWCAP is estimated based on previous years' charges against the Fund. Other details are available in the historical data attached.

Payments will be due on January 31st and June 14th, 2013, if you choose to use the installment option. Remember the 10% penalty set out at IC 22-3-3-13 (c)(2) for late payments and that no reminder will be sent before the due date in June.

Take care and please call Mary Taivalkoski or me if you have questions regarding the assessment or report.

Yours very truly,

A handwritten signature in cursive script that reads "Linda Hamilton".

Linda Peterson Hamilton

2nd INJURY FUND REPORT

December 31, 2012

Available Fund Balance 12/31/11	2,073,063
Revenue from 2012 Assessment	4,629,949
Total Available Monies 2012	6,703,011
Expenditures 2012:	
Indemnity	4,553,836
Prosthetics	1,019,258
Loan	192,400
Administrative Fees	42,000
SWCAP-Statewide Cost Allocation Plan	<u>3,724</u>
Total	5,811,218
Available Fund Balance 12/28/2012	891,793

2013 Assessment Factors

Indemnity (3 months indemnity)	1,138,459
Prosthetics (3 month avg. expense)	<u>146,450</u>
Total Prudent Reserve	1,284,909
Estimated Expenditures	
Indemnity	4,735,990
Prosthetics	1,019,258
Loan	192,400
Administrative Fees	42,000
SWCAP-Statewide Cost Allocation Plan	<u>3,724</u>
Proposed Need	7,278,281
12/28/2012 Available Fund Balance	- 891,793
Final Assessment Amount	6,386,488

* 7.4.2.1 State-Wide Cost Allocation Plan (SWCAP)

Reported and Historical Data Utilized in Assessment of Fund

(reported in dollars)

Reported by ICRB for 2011	
Total Losses Paid	436,329,000
Total Premiums Written	692,820,000
Reported by ICRB for 2010	
Total Losses Paid	427,048,000
Total Premiums Written	616,420,000
Reported by ICRB for 2009:	
Total Losses Paid	424,767,000
Total Premiums Written	620,459,000
Reported by ICRB for 2008:	
Total Losses Paid	436,611,000
Total Premiums Written	710,109,000
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Self-Insured Factors 2011	
Total Indemnity Paid	21,016,610
Total Medical Paid	<u>56,316,103</u>
Total Self Insured Factors	77,332,713
Self-Insured Factors 2010	
Total Indemnity Paid	15,183,200
Total Medical Paid	<u>46,292,957</u>
Total Self Insured Factors	61,476,157
Self-Insured Factors 2009:	
Total Indemnity Paid	17,300,704
Total Medical Paid	<u>41,700,782</u>
Total Self Insured Factors	59,001,486
Self-Insured Factors 2008:	
Total Indemnity Paid	17,686,744
Total Medical Paid	<u>48,563,961</u>
Total Self-Insured Losses Paid	66,250,705

**Historical Second Injury Fund Data re.  
Total Expenditures Reported By the WCB  
(reported in dollars)**

Jan/Dec 2010	
Prosthetics	561,247
Indemnity	4,227,113
Jan/Dec 2009	
Prosthetics	624,711
Indemnity	4,099,537
Jan/Dec 2008	
Prosthetics	527,506
Indemnity	3,413,452
Jan/Dec 2007	
Prosthetics	539,340
Indemnity	3,539,032
Jan/Dec 2006	
Prosthetics	246,604
Indemnity	3,432,705